TESTIMONY submitted to the Little Hoover Commission by Margarita Maldonado, IT professional, Chair of Bargaining Unit 1 which represents information technology workers for SEIU and a member of the Information Technology Committee.

SEIU Local 1000 supports many of the goals and objectives proposed in the DTS merger. We are committed to standardizing systems and technical support where possible, investing in resources that improve interaction between the government and the people we serve. We also prioritize cost-saving measures in procurement of goods and services. We have submitted information both to the Little Hoover Commission and to the Committee on Government Modernization, Efficiency, and Accountability offering practical, tested steps that can be taken to insure greater government efficiency in these areas.

With respect to the proposal at hand, we want to raise a concern related to the costs and effectiveness of consolidating data systems and departments. In evaluating this proposal, it is important to understand that in the short and medium terms there is limited ability to consolidate hardware and software systems without massive investment in upgrading to a standard technology, and investment in human skill development that accompanies efficient operation of new systems. As this Commission itself has noted, consolidation is usually a costly process, and the participation of departments and stakeholders impacted by consolidation is essential for success.

We believe recommendations related to cost-saving and efficiency should also consider prioritizing technology investments that could generate revenue initially and assist in funding additional investments in technology and the labor force. Such cost savings are two-fold—offer services at a lower price, or provide services with cheaper technology. We are interested in doing both.

However, from the perspective of the stakeholders as public IT professionals, the Governor's Reorganization Plan for IT is missing something. Perhaps an extreme example from history may demonstrate that failing. Back in 1940, after the Battle of Britain, Winston Churchill made the famous statement – "never before in the history of human events have so many owed so much to so few." At that time, Britain had outstanding technology; it had the Spitfire fighter and it had radar. And it had effective organization – the fighters and radar systems were linked to respond whenever and wherever German bombers appeared. But Churchill wasn't talking about technology or organization in his famous quote; he was talking about pilots. Without trained and dedicated people, the technology and the organization would have failed.

What's missing in the Governor's Plan, what's missing in most of the Governor's Reorganization Plans, is any serious discussion of the people who will make the plan succeed. These people are the state's employees. In the IT sector, we number over 7,000, with highest concentrations in the Franchise Tax Board, the Department of Transportation, the Employment Development Department, DMV, PERS, and the State

Compensation Insurance Fund, HHSDS, Teale, the Department of Justice and the Board of Equalization.

The plan touches briefly on the primary issues facing the state's technology services, identifying the solutions needed to be found. However, our experience shows us that practical solutions for the problems we face are hard to come by.

The plan points out two essential pieces of the workforce development plan for the new data center—updating and clarifying the classification structure as technology and jobs change—and assessment and training for recruitment and ongoing skill development.

From the Strategic Plan:

Goal 5. Develop and Rebuild Our Technology Workforce.

Objective 1. Modernize the Technology Classification Structure, with proposals created based on input from bargaining unit representatives.

> **7/05**. Workgroup issue a report to the State CIO with recommendations, including new classification descriptions.
> **8/05**. State CIO propose new class structure to DPA.

Objective 3. Provide Professional Development for Technology Personnel

> **4/05**. Convene a workgroup by April 2005 to assess skills & training needs for each function in technology workforce, including certification and continuing training requirements.
> **6/05**. Workgroup to identify centers of excellence for each IT specialty area.

However, this plan provides only a framework for solving problems the state has faced for decades in attempting to offer strategic, competitive IT services.

Perhaps we have become impatient. We have been working with the state for years to develop a classification structure with updated training, testing, skill sets, and retention pay. We have come close many times to reaching agreement on the most appropriate and effective career ladders, job titles, and testing systems to strengthen the workforce and service delivery. However, the state never set the classification, testing or training development as a top priority. The state failed to commit to real change and investment in testing and compensation system. This was obvious by the limited resources the state dedicated to improve the IT classification system. The state has a history of not following through with making its classification structure a priority.   Such lack of priorities weakens the state's ability to retain, attract and develop the workforce.

Failure to put these programs in place has had costly consequences for the state. The state continued to outsource IT contracts for service delivery, training, and system management and upkeep. The scope, complexity and expense of current IT contracting is mind-boggling. The state holds more than 1200 IT service contracts totaling upwards of $1.3 billion. We agree with the report that the merger offers opportunities for significant cost savings by consolidation of contract management. However, to leverage significant cost savings, attracting and retaining skilled professionals is key. Instead of accepting multi-year contracts for services that state workers could perform, instead of buying technology and failing to mandate that the contractor effectively trains state staff on how to use it, instead of providing a no-tolerance policy for fraud or contract mis-management, there should be serious consideration of the development and maintenance of an in-house IT workforce.

Delaware: CIO Tom Jarrett was able to get the IT department exempted from civil service pay scales allowing him to pay market value for IT employees. He's paying IT employees more, but has saved $2.5M by eliminating 28 costly consultants.[1]

Pennsylvania: During the mid- 1990's, with salaries lagging 15 percent behind regional private sector businesses and an over-simplified IT job classification system, Pennsylvania state government wasn't retaining, and couldn't compete for, the best IT experts in the state. But through a strategic overhaul of the salary scale and position classification system by the Governor's Office of Administration (OA) and the State Civil Service Commission (SCSC), Pennsylvania has been able to build an extensive, accomplished IT workforce while significantly reducing future costs that could be caused by a potential hiring shortage.[2]

(See Endnotes for References)[1],[2]

The restructuring of California's technology infrastructure offers the state an opportunity to thoroughly analyze its Information Technology costs including the amount it spends on IT contracting. Increasingly, state governments are discovering that contracted IT workers are performing routine work that state employees could *and do* provide at significantly lower cost. The states of Tennessee, Virginia, Wisconsin, Delaware, and Massachusetts have all made such discoveries in recent years. Evidence from an SEIU 1000 cost analysis of IT work at the Dep. of Health Services in 2003 suggests that California too may be making excessive use of IT contractors. Given that the state currently holds more than 1200 IT service contracts totaling upwards of $1.3 billion, we believe a thorough cost-analysis of IT contracting holds the potential for substantial savings.

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<u>Criticism of the costs of IT contractors</u>

Massachusetts: A Massachusetts Auditor's report in 2002 found that the state's Registry of Motor Vehicles (RMV) spent more than $10 million a year on IT contracts rather than hire staff at less cost.

Wisconsin: A 2001 Wisconsin Legislative Audit suggested that the state could be wasting millions on IT contractors. Auditors compared the hourly rates of 32 contractors to the average hourly cost, including salary and fringe benefits, of state employees performing comparable work and found that 29 of the 32 contractors cost more than state employees. In four cases the contractor's rate was more than twice the average hourly cost for a comparable state employee. In one case an employee left a state IT position that paid $19.12 per hour and returned as an IT contractor at the rate of $101 per hour.

Tennessee: A 2003 audit conducted by the Tennessee State Comptroller's office found that the use of Information Technology Professional Services (ITPRO) contractors by state agencies was "not cost-effective to the state."

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(See Endnotes for References)[3],[4],[5]

Therefore, we request the Little Hoover Commission to fill in the gaps. We request that your recommendation include a recognition that a new, successful, efficient IT system in California must combine a commitment to state of the art e-services; the acquisition of state of the art technology and software; and the recruitment and training of state of the art public employees.

From this perspective, consolidation is not just an opportunity to achieve operational efficiencies and assist residents in gaining information over the internet. It is an outstanding opportunity to focus on long ignored issues that can improve performance of state workers and ensure that they can help make these structural changes succeed. Now is the time to make a commitment to training goals and programs. Now is the time to improve job classifications. Now is the time to achieve realistic modifications of compensation, a prerequisite to effective recruitment. And now is the time to state unequivocally that just as IT must be a core activity of a modern government, state employees must be the core providers of the governments IT services. By taking advantage of this opportunity, the Little Hoover Commission can help all of us work together in a spirit of commitment and high energy to make California's IT system one about which the people of California can be proud.

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SEIU Local 1000 is the largest union of state employees in California. We represent almost 90,000 state employees, of whom approximately 7,600 are IT professionals.

[1] Government Technology. "Delaware Mulls Budget Solutions." Folsom, CA. May 2003.

[2] NASCIO Recognition Awards Program. *Commonwealth of Pennsylvania Retention and Recruitment.* 2002 State IT Management Initiatives Nomination.

[3] Massachusetts Office of the State Auditor. "Independent State Auditor's Report on Certain Activities of the Registry of Motor Vehicles." Feb. 14, 2002.

[4] State of Wisconsin Legislative Audit Bureau. "A Review: State Agency Use of Computer Consultants." March 2001.

[5] Tennessee Comptroller of the Treasury, Division of State Audit. "Special Report: Issues Related to Office for Information Resources' ITPRO Contracts." p.2 Nashville. April 2003. http://www.comptroller.state.tn.us/sa/reports/sr03021.pdf